El mercado norteamericano de ingredientes y productos naturales

Market Analysis for Three Peruvian Natural Ingredients

Foro y Rueda de Negocios:
Biocomercio, un modelo de negocio sostenible e inclusión social
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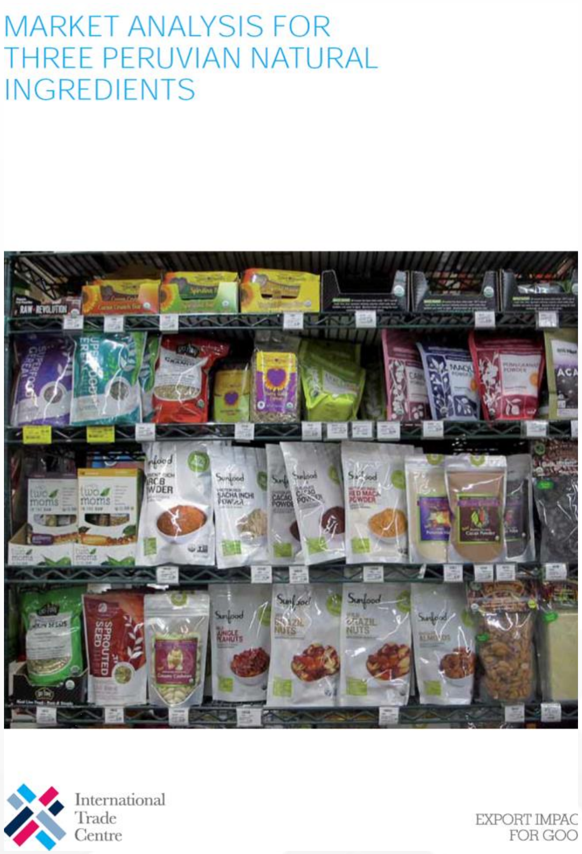
What we will discuss today…

- ✓ Herbal Dietary Supplement sales continue to increase in the United States
- ✓ What are the Top Trends affecting natural ingredient & natural product sectors?
- ✓ Market analysis for three Peruvian natural ingredients:
    - ❑ Golden berry
    - ❑ Peruvian mesquite
    - ❑ Sacha inchi



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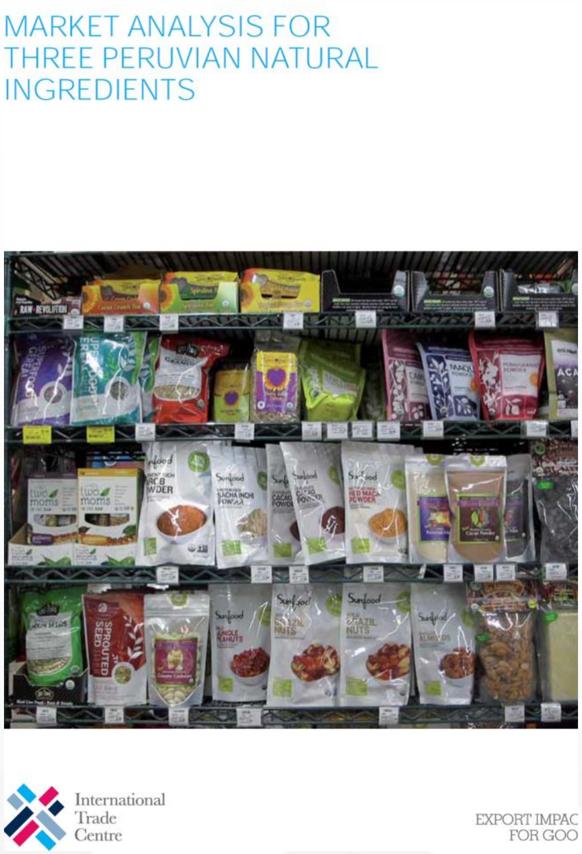

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Lindstrom A, Ooyen C, Lynch ME, Blumenthal M. Herb supplement sales increase 5.5% in 2012. *HerbalGram*. 2013;99:60-64.

- 2012 herbal dietary supplement sales in the U.S were estimated at US$ 5,593,000,000;
- 5.5% over 2011 total of US$ 5,302,000,000;
- 4 of the top 8 herbal supplements sold in Food, Drug, and Mass Market Channel in the U.S. are from native North American species: **cranberry** (*Vaccinium macrocarpon*), **saw palmetto** (*Serenoa repens*), **black cohosh root** (*Actaea racemosa*), **echinacea** (*Echinacea* spp.).

Top-sellers included omega oils of flax seed and chia seed – these are competitors in the market for sacha inchi oil…

- The #1 top-selling herbal dietary supplement in the Natural and Health Foods Channel in the U.S. was **Flax seed and/or Flax oil** (*Linum usitatissimum*), up **4.7%** over 2011

- **Maca** (*Lepidium meyenii*) ranked at #12 and grew **40.0%** over 2011

- **Chia seed and/or Chia seed oil** (*Salvia hispanica*) ranked at #15 but grew at **123.1%** over 2011!!!

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Top Trends Affecting Natural Ingredient & Natural Product Sectors

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Top Trends Affecting Natural Ingredient & Natural Product Sectors

- **Simpler products** – the fewer ingredients the better…
- **Gluten free** – is a catalyst for growth in the natural channel
- **Non-GMO** – retailers beginning to require GMO labeling
- **Organic** – The U.S. is the largest single market for organic products globally
- **Transparency** - consumers want to know precisely what is in their food, how it was made, and where the ingredients came from
- **Dairy alternative seed & grain milks (flax, hemp, oat, quinoa, rice, sunflower) –** increasing demand for allergen-free milk alternatives
- Plant- or Algal- based **Essential Fatty Acids (EFAs)**
- **Eco + Social certifications –** organic + fairtrade, fair for life, or fair wild
- **Vegetarian and Vegan Verified** labeling initiatives

Top Trends Affecting Natural Ingredient & Natural Product Sectors

Products with multiple relevant certifications and/or health attributes are the **current drivers** according to scan data. For example, products that **appeal to more than one specialty diet**, like 'gluten and dairy free', 'vegan and gluten free', or 'kosher, gluten free, vegan and raw.'

- certified organic **AND** non-GMO verified;
- major allergen-free (e.g. dairy free, fish free, gluten free, lactose free, soy free, tree nut free);
- ethical (e.g. fair trade, fair choice, fair for life, fair wild);
- suitable for vegetarians and vegans (vegan verified);
- good source of plant-based essential fatty acids, fiber, protein;
- raw.

Top Trends Affecting Natural Ingredient & Natural Product Sectors

- Products labeled with ‘Raw’, ‘Gluten-Free’ **and** ‘Non-GMO Project Verified’ designations **posted double digit growth** during January-March 2013 compared to same period 2012.

- **Growth** across all channels **is being driven** by certain popular product attributes, in particular **products that are labeled with multiple designations** namely ‘Raw’, ‘Non-GMO Project Verified’, ‘Certified Gluten-Free’, ‘Certified Organic’, ‘Certified B Corporation’, and ‘Certified Fair Trade’.

According to SPINS (Jan 2013): sales of natural products featuring third party certifications surged in 2012 with non-GMO verified +18%, fair trade certified +17%, certified gluten free +17%, certified B corporation +15%, and certified organic +12%

NON GMO Project VERIFIED nongmoproject.org

FAIR TRADE CERTIFIED™

FAIRTRADE®

Certified GF Gluten-Free

Certified B Corporation™ bcorporation.net

USDA ORGANIC

Growth of "certified gluten free" products outpaced the natural products market by over six percentage points for 52 weeks ending 16 February 2013. There are now several gluten-free certification and labelling schemes.

According to Fair Trade USA, 2012 imports of fair trade certified goods were up 20 percent across all products from 2011

FAIR TRADE CERTIFIED™

FAIRTRADE®

fair for life

FAIR TRADE ECOCERT Approved by Ecocert

FAIRWILD

Control Union Fair Choice Social and Fair Trade Standard

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According to SPINS (Oct 2012), sales of products with the "Non-GMO Project Verified" label grew by 66% year-over-year

October 2012 SPINS report: sales of "**Non-GMO Project Verified**" foods **grew by 66%** year-over-year for the past 52-week period.

Recent-year Non-GMO sales totaled **$2.4 billion**, with more than $1 billion of that sold in three categories:

- ❑ chips, pretzels and snacks;
- ❑ non-dairy beverages; and
- ❑ cold cereal.

Organic – The United States is the largest single market for organic products globally

- IFOAM reported: ‘the countries with the largest organic markets in 2011 were the United States, Germany and France, with **the U.S. being the largest single market**.
- Organic Trade Association (OTA) ‘2011 Organic Industry Survey’ reported: U.S. organic industry **grew at a rate of nearly 8%** in 2010… to over US$ 28.6 billion.
- Canada Organic Trade Association (COTA) reported: Canada's organic market grew to US$ 3.7 billion in 2012. The value of the Canadian organic food market has tripled since 2006, far **outpacing the growth rate of other agri-food sectors**.

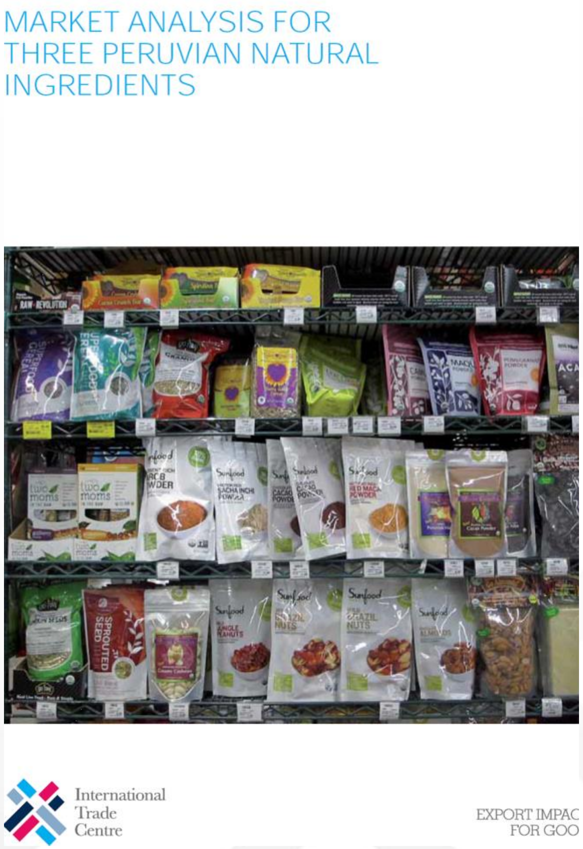
An estimated nine million adults in the U.S. are vegetarians and/or vegans. There are now several vegan certification and labelling initiatives – some linking vegan certification with other standards like cruelty-free, kosher, and/or raw.

Market analysis for three Peruvian natural ingredients

- ❑ **Golden berry**
- ❑ **Peruvian mesquite**
- ❑ **Sacha inchi**

Available to download at ITC website:

http://www.intracen.org/Market-analysis-for-three-Peruvian-natural-ingredients/



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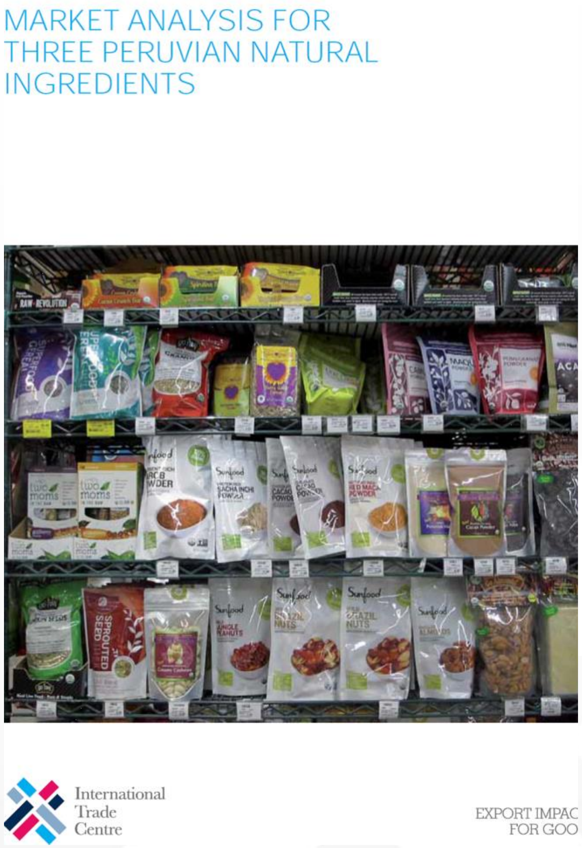
Methods used for the study

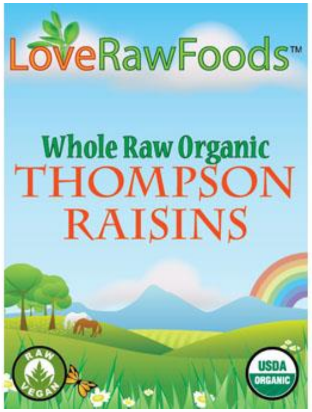
- For this study, site visits were made to harvesting areas and post-harvest processing and production facilities in Peru.
- Eleven Peruvian companies were interviewed in Peru and some also at international trade shows in the EU and US. Eight North American companies were interviewed.
- Desk research was used for retrieval and analysis of published articles, scientific papers and reports as well as databases of governmental agencies, import- export trade databases and certification organization databases of certified producers and traders.
- Current market trends reports based on scan data were also obtained.



Golden berries – main competitors

Companies interviewed for this study suggested that the main existing competitors for golden berry would be small dried berries or other small dried fruits that could be used as components of breakfast cereals such as granola or muesli, nutrition bars, carob- or chocolate- coated bars or coated fruits, healthy snacks or trail mixes (combinations of dried fruits, nuts and seeds), namely:

- **cranberry** (*Vaccinium macrocarpon* or *V. oxycoccos*);
- **goji berry** (*Lycium chinense* or *L. barbarum*);
- **raisin** (*Vitus vinifera*).



Golden berries – competing against other origins

- Current perception is that it can be difficult for Peru to compete against Colombian and Ecuadorian golden berries on basis of availability (scale) and/or export market price.

- Peruvian golden berry needs a clearly defined Peruvian brand identity that can be positioned as a unique regional grade or quality that is distinct from Colombian and/or Ecuadorian golden berry, i.e. measurably different organoleptic characteristics (appearance, color, odor and taste), phytochemical and nutritional composition.

Golden berries – considerations for new product developers

Availability: cranberry and raisin are **major** North American crops for domestic consumption and export (always in stock). Goji is imported only from China.

Ease of application: cranberry, goji berry, golden berry and raisin could be substitutable in baked goods, bars, breakfast cereals, chocolates, desserts, fruit & nut snack mixes.

Price: cranberry and raisin are significantly lower in cost than golden berry. Goji berry is significantly higher in cost than golden berry.

Recommended uses: golden berry and raisin are mainly food ingredients whereas cranberry and goji are both used in food-, dietary supplement-, medicinal-, and practitioner products.

Price Comparison (US$ / lb.) / Apr 2013 / Natural Foods Channel
Organic Cranberry, Goji Berry, Golden Berry and Raisin

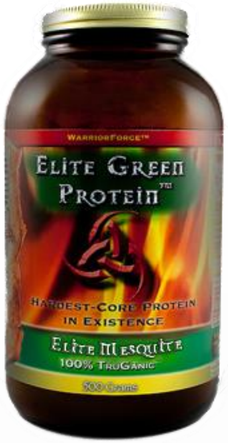
Description	Pack size	Distributor price ($ / lb.)	Wholesale price ($ / lb.)	Retail price ($ / lb.)
Cranberries (apple juice sweetened) - origin: USA	25 lb.	$3.49	$4.64	$6.95
Cranberries (sweetened) - origin: USA	25 lb.	$2.10	$2.79	$4.19
Goji berries origin: PRC	10 lb.	$12.61	$16.77	$25.15
Golden berries origin: Not known	11 lb.	$7.03	$9.35	$14.05
Golden raisins (sulphured) origin: California	30 lb.	$1.79	$2.38	$3.55
Jumbo flame raisins origin: California	30 lb.	$1.74	$2.31	$3.45
Thompson raisins origin: California	30 lb.	$1.35	$1.79	$2.69

Peruvian mesquite – existing main competitors

Companies interviewed for this study suggested that the main competitors for Peruvian mesquite powder would be comparable tasting gluten-free flours or powders that could be used as components of baked goods (cookies, cakes, sweet breads), baking mixes (brownie mixes, cake mixes, pancake mixes), breakfast cereals, coated nuts, and nutrition bars and drink mixes (cocoa type and smoothie type), namely:

- **cacao or cocoa powder (*Theobroma cacao*)**
- **carob powder (*Ceratonia siliqua*)**

Peruvian mesquite – repositioned as protein powder?



Some respondents suggested that the future potential for new entries of Peruvian mesquite powder products is not only in the carob or cocoa space but rather as a **great vegetarian source of protein**.

Repositioned as a **plant-based source of protein** would allow it to compete with the whole range of emerging vegetarian sources of protein including:

- **chia protein powder**
- **hemp protein powder**
- **pea protein powder**
- **rice protein powder**
- **sacha inchi protein powder**
- **soy protein powder**

Peruvian mesquite – competing against other origins

PROBLEM: Ingredient marketers and product developers presently appear to view Peruvian mesquite flour as no different and/or interchangeable with:

- **Argentine mesquite flour** (*Prosopis alba*)
- **Velvet mesquite flour** (*Prosopis velutina*) from Arizona
- **Western honey mesquite flour** (*Prosopis glandulosa* var. *torreyana*) also from Arizona; as well as
- Peruvian species of mesquite (*Prosopis pallida*) grown in Hawaii and marketed under the name **'Hawai'ian Kiawe Mesquite Flour'.**

Proponents of the '**local food movement**' may prefer to buy mesquite flours native to Arizona and consumers who look to '**buy American**' products (as opposed to imported products) may prefer either the Arizona and/or Hawaiian mesquites.

Peruvian mesquite – considerations for new product developers

Availability: the competing powders (cacao and carob) are generally in stock year round at warehouses of most wholesale distribution companies that supply bulk powdered natural food ingredients to industry.

Ease of application: cacao, carob and mesquite powders could be substitutable or even combined for flavor differentiation or uniqueness in baked goods, baking mixes, nutritional bars, drink mixes and smoothies.

Price: the price range for bulk Peruvian mesquite powder is significantly higher than bulk prices for cacao and/or carob.

Recommended uses: cacao, carob and mesquite are used as both food ingredients and dietary supplement components.

Price Comparison (US$ / lb.) / Apr 2013 / Natural Foods Channel
Organic carob, cocoa and Peruvian mesquite powder

Description	Pack sizes	Distributor price ($ / lb.)	Wholesale price ($ / lb.)	Retail price ($ / lb.)
Carob powder - raw	5 lb.	$1.64	$2.18	$3.25
Carob powder - toasted	5 lb.	$1.70	$2.26	$3.39
Cocoa powder	25 lb.	$4.18	$5.56	$8.29
Mesquite powder	5-25 lb.		$8.25-$11.97	$11.00-$12.97

Sources: Price information for **carob and cocoa** was provided confidentially by an information provider at a major independent national distributor of natural, organic and specialty foods and related products.

Pricing for **mesquite powder** was not available from the same source as the other items in the table. Thus they are not calculated on the same basis or margins.

Bulk prices for mesquite powder (Peruvian and/or Argentinian) ranged significantly from one wholesaler to the next. Thus the wide ranges shown in the table.

Sacha inchi oil – existing main competitors

The North American market for healthy products that contain essential fatty acids (EFAs) continues to grow and there appears to be an ever-expanding list of new entries into this already crowded category.

Source materials for EFA ingredients and products include:

- **algal sources**, e.g. oil obtained from fermentation and extraction of certain species of algae;
- **animal sources**, e.g. fatty oil obtained from crustaceans such as krill, or fish such as salmon, or even marine mammals such as seals; and
- **plant sources**, e.g. fatty oil from seeds of borage, evening primrose or flax.

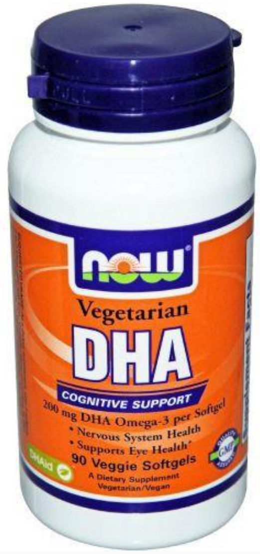
Sacha inchi oil – existing main competitors

SACHA INCHI COMPETITORS OF ALGAL SOURCE

- **Crypthecodinium cohnii oil** (from fermentation and extraction of algae species *Crypthecodinium cohnii*)

- **DHA from algal (Ulkenia) oil** (from fermentation of a thraustochytrid microalgae, *Ulkenia* species)

- **Schizochytrium oil** (obtained by fermentation and extraction of algae of the genus *Schizochytrium*)



Sacha inchi oil – existing main competitors

SACHA INCHI COMPETITORS OF ANIMAL SOURCE

- **Cod liver oil** (from fresh livers of *Gadus morrhua* and other species of Fam. Gadidae)
- **Fish oil** (from fish of the families Engraulidae, Carangidae, Clupeidae, Osmeridae, Scombroidae, Ammodytidae, Salmonidae)
- **Krill oil** (extracted from frozen and crushed Antarctic krill, *Euphausia superba*)
- **Menhaden oil** (from fish of the genus, *Brevoortia*)
- **Seal oil** (from the blubber of seal species including *Erignathus barbatus*, *Halichoerus grypus*, *Phoca vitulina*, *Pagophilus groenlandicus* (syn: *Phoca groenlandica*), *Cystophora cristata*, *Phoca hispida*)

Sacha inchi oil – existing main competitors

SACHA INCHI COMPETITORS OF PLANT SOURCE

- ❑ Borage oil (from seeds of *Borago officinalis*)
- ❑ Chia oil (from seeds of *Salvia hispanica*)
- ❑ Evening primrose oil (from seeds of *Oenothera biennis*)
- ❑ Flax seed oil (from seeds of *Linum usitatissimum*)
- ❑ Hemp seed oil (from seeds of *Cannabis sativa*)
- ❑ Olive oil (from the ripe fruit of *Olea europapea*)

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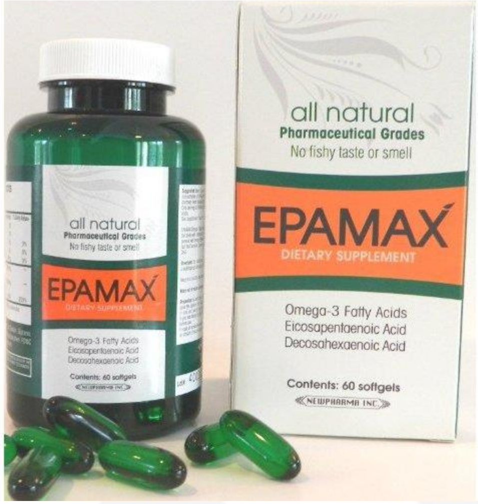
Sacha inchi – considerations for new product developers

Availability: oils of borage seed, evening primrose, flax seed, and hemp seed as well as fish oil and seal oil are **<u>major products of Canada</u>** while both flax seed oil and fish oil are also **<u>major products of the U.S.</u>** for domestic consumption and for export. Sacha inchi is less available.

Ease of application: these oils are used as components of the same types of finished product formulations; liquids filled into soft-gel capsules or into bottles. The oils are substitutable or can be combined for EFA composition uniqueness (e.g. sacha inchi oil with chia oil) or taste uniqueness (e.g. sacha inchi oil with olive oil).

Price: due to their relatively large scale production in North America, sacha inchi oil would not likely be able to compete with fatty oils of flax and/or hemp on the basis of price or availability.

Recommended uses: all of these oils have comparable uses as EFA components of dietary supplement products (DSPs) and/or natural health products (NHPs) and most call also be used as food ingredients.



Price Comparison (US$) / Apr 2013 / Natural Foods Channel Organic oils of borage, evening primrose, flax, hemp, olive, and pumpkin

Description	5 gallon price	1 gallon price	Retail prices
Borage seed oil		$346.00	$51.00 (16 oz.)
Evening primrose oil	$952.00	$224.00	$33.00 (16 oz.)
Flax seed oil		$28.95-$42.95	$6.80-$8.85 (16 oz.)
Hemp seed oil	$416.00	$98.00	$14.50-$16.08 (16 oz.)
Olive oil, extra virgin	$229.00	$38.50-$54.00	$8.00 (16 oz.)
Pumpkin seed oil		$122.00	$18.00 (16 oz.)
Sacha inchi oil, various grades and qualities		$189.00	**Wholesale:** $13.59-$15.99 (8.45 oz.) **Retail:** $21.99-$29.95 (8.45 oz.) = $41.64-$56.71 (16 oz.)

Note: Sacha inchi oil price ranges based on prices from seven different sources
1.0 US Gallon = 3.78541 Liters / 16 oz. = 473.176 mL / 8.45 oz. = 250 mL

Defining what's unique and marketable about Peruvian origin

- The Peruvian biodiversity ingredients that were the subject of this study **do not have application, availability or price advantages** over the selected competitive ingredients analyzed.

- Therefore, different arguments need to be developed and marketed effectively in order to justify their position with premium prices.
  - Differentiate Peruvian origin grades and qualities from competitors, i.e.
    - Specify Peruvian ecotypes of golden berry compared against Colombian, Ecuadorian, and South African ecotypes;
    - Specify Peruvian mesquite compared against Argentinian, Arizonan, and Hawaiian mesquite powders.

- The Peruvian ingredients however **do have advantages** over many of the competing ingredients in areas where they satisfy almost all of the identified attributes that are presently **driving growth** in the North American market.

What are the market advantages?

The Peruvian natural ingredients may have advantages over the competing ingredients because **they can satisfy almost all of the identified attributes that are driving growth** in the natural products market, especially if marketed with a combination of these natural market drivers:

- Certified organic
- Certified fair and sustainable (fair trade, fair choice, fair for life, or fair wild)
- Major allergen-free (dairy free, fish free, gluten free, lactose free, soy free, tree nut free)
- Non-GMO verified
- Nutrient content: good source of plant-based essential fatty acids, fiber, and/or protein
- Raw
- Vegetarian and vegan verified.

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THANK YOU!!